



VILLAGE OF RAYVILLE, MISSOURI

YEAR ENDED DECEMBER 31, 1998

**From The Office Of State Auditor
Claire McCaskill**

Report No. 99-21
March 29, 1999

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the Village of Rayville, Missouri.

NOTE: Recommendations, as well as responses from the village, which correspond with the findings below are included in the audit.

The village contracts with a trash hauler to collect trash from all the homes in Rayville. For a number of years, village residents paid for this trash service through a property tax levy. A ballot proposal to extend this levy was defeated in the April 1996 election. In October 1996, the village began billing each resident \$10 a month for the cost of the service. The fees charged to residents were established without a public vote.

The village does not have a formal bidding policy for the procurement of goods and services. In addition, adequate documentation was not maintained to fully support over \$5,700 paid to the Chairman in expense reimbursements during the past several years.

All village monies are deposited into a money market mutual fund. This type of investment account is neither insured nor guaranteed by the U.S. Government and does not appear to be an appropriate investment of local public funds. In addition, the village cannot deposit cash into the account, resulting in some village funds being deposited first into the personal accounts of village officials.

The property tax levy for fire protection purposes has generated tax revenues that have exceeded the expenditures for fire protection. In January 1998, the village transferred approximately \$3,300 in surplus monies from the Fire Fund to the Trash Fund. We recommend the Board of Trustees ensure any restricted revenues (including those of the Fire Fund) are used only for the purposes intended.

The village does not prepare annual budgets and has not published or posted semiannual financial statements as required by state law. The annual financial reports submitted to the state auditor's office are not accurate.

The board has not held public hearings for proposed property tax rates, prepared an ordinance establishing the approved tax levies each year, or established adequate delinquent tax collection procedures.

YELLOW SHEET

VILLAGE OF RAYVILLE, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-2
HISTORY AND ORGANIZATION	3-6
MANAGEMENT ADVISORY REPORT	7-21
SUMMARY OF FINDINGS	8-9

<u>Number</u>	<u>Description</u>	
1.	Trash Collection Fees	10
2.	Expenditures	12
3.	Village Bank Account	15
4.	Accounting Controls and Procedures	15
5.	Fire Fund	17
6.	Budgets, Financial Reporting, and Minutes	18
7.	Property Tax Procedures	19
8.	Street Maintenance Plan	20



CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Chairman
and
Board of Trustees
Village of Rayville
Rayville, Missouri 64084

The State Auditor was petitioned under Section 29.230, RSMo, to audit the village of Rayville, Missouri. Our audit of the village included, but was not limited to, the year ended December 31, 1998. The objectives of this audit were to:

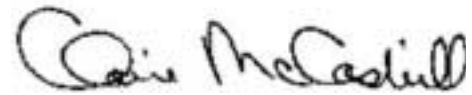
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, village policies and ordinances, and various village financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the village and was not subjected to the auditing procedures applied in the audit of the village.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the village of Rayville, Missouri.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

February 2, 1999

HISTORY AND ORGANIZATION

VILLAGE OF RAYVILLE, MISSOURI HISTORY AND ORGANIZATION

The village of Rayville was incorporated in 1903 and is located in Ray County. The population of the village in 1990 was 170.

The village government consists of a five-member board of trustees. The trustees are elected in staggered elections for two-year terms. The chairman is appointed by the board from the members. The village officials at December 31, 1998, were:

<u>Elected Officials</u>	<u>Term Expires</u>	<u>Actual Compensation for the Year Ended December 31, 1998</u>	<u>Amount of Bond</u>
Fred McKinney, Chairman	April 2000	\$ 110	
Kathryn Gillespie, Trustee (1)	April 1999	15	
Paul Mitchell, Trustee	April 1999	55	
Norbert Ding, Trustee (2)	April 2000	40	
Randy Langdon, Trustee (3)	April 1999	20	

The Chairman received \$10 per each meeting attended and the other trustees received \$5 per meeting.

- (1) Appointed to replace Bill Goetz who resigned in July 1998.
- (2) Elected to replace Kenneth Wyse in April 1998.
- (3) Appointed to replace Bill Kersley who resigned in August 1998.

Other Principal Officials

Yvonna Smith, Village Clerk	1,113	\$ 10,000
George Lehnert, Village Attorney	1,504	

The Village Clerk's compensation includes \$125 per year in salary and \$988 in commissions.

Assessed valuation and tax rate information for 1998 is as follows:

ASSESSED VALUATION

Real estate	\$ 399,231
Personal property	<u>205,575</u>
Total	\$ <u>604,806</u>

TAX RATES PER \$100 ASSESSED VALUATION

General	\$.48
Street	.57
Fire	<u>.25</u>
Total	\$ <u>1.30</u>

All the tax levies were voter-approved for a three year period and expired in 1998.

A summary of the financial activity of the village of Rayville for the year ended December 31, 1998, is presented below:

Year Ended December 31, 1998

	General Fund	Street Fund	Fire Fund	Trash Fund	Total
RECEIPTS:					
Property taxes	\$ 3,486	2,595	1,133	38	7,252
Utility franchise taxes	3,259	0	0	0	3,259
Motor fuel taxes	0	6,761	0	0	6,761
Trash fees	0	0	0	6,650	6,650
Interest	1,014	0	0	0	1,014
Transfers	8	0	0	4,773	4,781
Miscellaneous	197	0	0	0	197
Total Receipts	7,964	9,356	1,133	11,461	29,914
DISBURSEMENTS:					
Salaries	1,989	0	0	0	1,989
Utilities	3,366	0	0	0	3,366
Trash service	0	0	0	5,460	5,460
Legal services	1,504	0	0	0	1,504
Advertising	0	398	0	0	398
Expense reimbursements	1,506	336	0	0	1,842
Labor	175	1,312	0	0	1,487
Fire protection	0	0	675	0	675
Street materials	0	2,807	0	0	2,807
Equipment and supplies	260	456	0	0	716
Building repairs	285	7	0	0	292
Election costs	150	0	0	0	150
Insurance	999	0	0	0	999
Postage	160	0	0	0	160
Transfers	1,445	0	3,337	0	4,782
Miscellaneous	159	0	0	5	164
Total Disbursements	11,998	5,316	4,012	5,465	26,791
Receipts Over (Under) Disbursements	-4,034	4,040	-2,879	5,996	3,123
Cash Balance, January 1,	4,154	16,969	4,313	-3,151	22,285
Cash Balance, December 31,	\$ 120	21,009	1,434	2,845	25,408

MANAGEMENT ADVISORY REPORT

VILLAGE OF RAYVILLE, MISSOURI
SUMMARY OF FINDINGS

1. Trash Collection Fees (pages 10-11)

The fee charged to residents for trash collection was established without a public vote. The village has not pursued collection of delinquent trash bills and has not established a formal delinquent trash fee write off policy.

2. Expenditures (pages 12-15)

The village does not have a formal bidding policy. Adequate documentation was not maintained to fully support over \$5,700 paid to the Chairman in expense reimbursements during the past several years. A payment was made to another village official which was not adequately documented. Board minutes do not identify the disbursements approved by the board at its monthly meeting. In 1998, the Chairman enclosed political advertisements in with regular mailings to village residents.

3. Village Bank Account (page 15)

All village monies are deposited into a money market mutual fund. This type of investment account is neither insured nor guaranteed by the U.S. government and it may not be a proper investment of local public funds.

4. Accounting Controls and Procedures (pages 15-17)

The Village Clerk also serves as Treasurer and Collector for the village resulting in duties which are not adequately segregated. The Chairman is collecting some receipts but he has not been properly authorized to do so and is not bonded. In addition, cash receipts are first deposited in the Village Clerk's or Chairman's personal bank accounts and then a check written to the village's mutual fund account. All monies collected are not recorded when received, deposits are not made on a timely basis, and checks and money orders are not restrictively endorsed immediately upon receipt.

5. Fire Fund (pages 17-18)

The property tax levy for fire protection purposes has generated tax revenues that have exceeded the expenditures for fire protection. In January 1998, the village transferred approximately \$3,300 in surplus monies from the Fire Fund to the Trash Fund. This does not appear to be a proper use of these restricted revenues.

6. Budgets, Financial Reporting, and Minutes (pages 18-19)

The village does not prepare annual budgets and has not published or posted semiannual financial statements as required by state law. The annual financial reports submitted to the

State Auditor's office are not accurate. Board minutes are not signed by either the Village Clerk or the Chairman.

7. Property Tax Procedures (pages 19-20)

The board has not held public hearings for proposed tax rates, prepared an ordinance establishing the approved tax levies each year, or established adequate delinquent tax collection procedures.

8. Street Maintenance Plan (pages 20-21)

An annual maintenance plan for village streets has not been prepared.

VILLAGE OF RAYVILLE, MISSOURI
MANAGEMENT ADVISORY REPORT

1. Trash Collection Fees

- A. The village contracts with a trash hauler to collect trash from all the homes in Rayville. For a number of years, village residents paid for this trash service through a property tax levy. A ballot proposal to extend this levy was defeated in the April 1996 election. In October 1996, the village began billing each resident \$10 a month for the cost of the service (though an ordinance authorizing this fee was not formally written and approved until October 1997, when the village's ordinances were codified). The fees charged to residents were established without a public vote.

Article X, Section 22(a) of the Missouri Constitution, commonly known as the Hancock Amendment, prohibits political subdivisions from increasing existing taxes, licenses, or fees above levels authorized at the time of passage of the Hancock Amendment without voter approval. However, Section 67.042, RSMo 1994, allows political subdivisions to adjust existing fees and licenses to maintain funding of services provided at the time of passage of the Hancock Amendment. The Missouri Supreme Court, in its decision in Beatty v. Metropolitan St. Louis Sewer District, 867 S.W. 2d 217 (Mo. banc 1993) applied a five-pronged analysis to determine whether a governmental charge was a tax, thus requiring a public vote, or user fee which could be revised without a vote. This court case also indicated that if the analysis did not clearly indicate the charge is a user fee, the issue should be put to a vote.

Because this matter has been a concern of some citizens, the village should request that its attorney review this fee to determine whether it is or can be structured as a user fee, or whether it should be put to a public vote. If this matter is not resolved by clear legal authority or an election, the village might need to consider ending this municipal service and require the village's residents to contract privately for trash hauling.

- B. The village has not adequately pursued collection of delinquent trash bills. As of October 1998, the village had approximately \$3,800 in delinquent trash bills. This included twelve accounts which were at least twelve months past due.

The village ordinance that authorizes the trash fee states that "Should any property owner's cleanliness - trash service fee account reach or exceed a "amount due" total of \$120, this account will be submitted to our city attorney for appropriate legal action and payment." As of December 31, 1998, no delinquent accounts had been turned over to the attorney.

To help ensure prompt collection of trash bills, the village should ensure delinquent accounts are turned over to the Village Attorney as provided by the applicable ordinance.

- C. The village does not have a delinquent trash fee write off policy. During 1998, approximately \$1,200 in delinquent trash fees were written off by the board. Although it appears most of these accounts related to customers who moved out of the village, we noted at least two instances where current customers' past due balances were forgiven if they paid for current service. In addition, documentation indicating the board's approval of amounts written off was not maintained.

To ensure delinquent accounts are properly handled and ensure equitable treatment of trash customers, the village should adopt policies for writing off delinquent accounts.

WE RECOMMEND:

- A. The Board of Trustees request the Village Attorney to review the present trash fee and determine whether it is or can be structured as a user fee, or if it should be put to public vote.

Based on the resolution of the trash fee question discussed in Part A, if the village continues to bill village residents for trash service the Board of Trustees should:

- B. Ensure delinquent trash accounts are pursued on a timely basis.
- C. Establish a formal policy for trash account write offs and consistently apply the policy to all customers. In addition, board approval of any amounts written off should be documented.

AUDITEE'S RESPONSE

- A. *The village board indicated it believes the \$10 monthly fee is very reasonable and the cost to the individual residents would be greater if the citizens were required to contract for these services privately. The board also indicated that by guaranteeing the payment to the hauling company, the village's residents realize a lower cost and better service. The Village Attorney is aware of this matter and it is the board's intent that this issue be put on the ballot as soon as practical for voter approval.*
- B. *The village board indicated that as of February 1999, the village has taken action to pursue the delinquent accounts and the number of delinquents has been reduced. In addition, on March 1, 1999, the village provided its attorney with a list of delinquent accounts. The board indicated it would follow the procedures as outlined in the applicable ordinance in the future.*
- C. *The village board concurs.*

2.**Expenditures**

- A. The village does not have a formal bidding policy. Based on discussions with village officials, it appears bids are not generally solicited for purchases of goods or services. We noted the following expenditures which were apparently not bid:

<u>Item</u>	<u>Cost</u>	<u>Year(s)</u>
Trash hauling	\$5,460	1998
Road rock and oil	3,851	1996-1998
Pipe	2,254	1997-1998
Pipe installation	823	1998

Formal bidding procedures for major purchases provide a framework for economical management of village resources and help ensure the village receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the village's business. Complete documentation should be maintained of all bids received and reason noted why the bid was selected.

Bids can be handled by telephone quotation, by written quotation, or advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- B. In addition to the regular compensation paid to village officials, we noted additional payments to village officials as follows:

- 1) The village has reimbursed the Chairman for various expenses incurred on behalf of the village. From May 1996 to December 31, 1998, the Chairman was paid over \$5,700 in expense reimbursements. These expenses included street labor paid by him to other individuals (\$1,937), gasoline (\$1,286), postage (\$697), copying charges (\$358), and other miscellaneous items (\$970). Expense reports to support approximately \$500 in reimbursement payments were not maintained or could not be located. In addition, vendor-provided receipts were not always submitted with the Chairman's expense reports.

It appears much of the gasoline expense represented fuel purchases for the Chairman's vehicle. While the Chairman indicated he makes numerous trips on behalf of the village (i.e. to haul off junk, make copies, etc.) no documentation was provided regarding the nature and dates of the trips, locations traveled, and number of miles traveled which correspond to the

gasoline purchases. These fuel purchases involved approximately 1200 gallons of gasoline and the lack of documentation made it impossible to determine whether all this fuel was used for village purposes.

Expenses related to village activities should be paid directly by the village to the extent practical. Expenses incurred directly by village officials should be kept to a minimum and supported by adequate documentation. In addition, any gasoline reimbursements should be supported by reports documenting the actual miles driven, date, location and nature of trips.

It should be noted that recently the board took action to restrict the amount of reimbursable expenses the Chairman could incur without board approval.

- 2) In September 1996, a check for \$500 was written to and cashed by the Village Clerk. According to the Clerk, the money was used to pay a number of boys in the village to help with street work. No documentation identifying who the money was paid to or the hours worked was maintained.

Disbursements of village funds should be made by check to the extent possible, and cash disbursements should be kept to a minimum. If cash disbursements are necessary, complete documentation of the transaction(s) should be maintained.

- C. Supporting documentation was not maintained for other disbursements made by the village. Various payments for street work, spraying, and ditch work had no invoice or other documentation to support the payments. In addition, other invoices were not adequately detailed to support the work performed.

All disbursements should be supported by paid receipts and/or complete vendor-provided invoices to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds. The village should require detailed invoices for all services which include the number of hours worked by day, the work performed, and the hourly rate charged.

- D. The village has not entered into written contracts for various contracted services received. For example, the village has not entered into a formal written contract for its trash hauling services.

Section 432.070, RSMo 1994, requires contracts of political subdivisions be in writing. The village should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

- E. Although there is an occasional reference to a specific invoice being approved for payment, the board minutes usually only make a general reference that invoices are approved for payment. In addition, a supplementary listing of all disbursements is not prepared to accompany the minutes.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the trustees to denote their approval, and retained with the official minutes. In addition, supporting documentation should be reviewed by the Board of Trustees before payment is made to ensure all disbursements represent valid operating costs of the village.

- F. In 1998, the Chairman enclosed political advertisements for a local politician(s) in with regular mailings to village residents. Although it appears the village did not pay for the postage related to these mailings, this practice is inappropriate for a government entity and, at a minimum, gave the appearance public funds were being used to support or promote a candidate which is prohibited by Section 115.646, RSMo 1994.

WE RECOMMEND the Board of Trustees:

- A. Establish a formal bidding policy regarding the procurement of goods and services. Such a policy should require that competitive bids are solicited through advertising for any purchases over an established amount and that bids be solicited for any purchases over a lesser amount. In addition, documentation of the bidding process should be maintained in all cases.
- B. Ensure expenses are paid directly by the village to the extent practical and cash disbursements are kept to a minimum. In addition, adequate documentation for all reimbursements and payments to village officials should be maintained. Further, reimbursements for gasoline expenses should be supported by the actual miles driven.
- C. Ensure all disbursements are supported by paid receipts and/or vendor-provided invoices which contain an adequate description of the goods or services received.
- D. Ensure formal written contracts are entered into for any services obtained by the village.
- E. Ensure the approval of all disbursements is adequately documented by including a listing of all approved disbursements in the board minutes.
- F. Ensure the practice of including political advertisements in village mailings is prohibited.

AUDITEE'S RESPONSE

- A. *The village board indicated it recently established a formal procurement policy. The board indicated it did solicit bids for the pipe and installation work; however, it agreed this was not adequately documented. The board indicated adequate documentation would be maintained in the future.*
- B,C,
&E. *The village board concurs.*
- D. *The village board concurs and indicated it will enter into a contract with its trash hauler.*
- F. *The village board concurs and indicated this will not happen again. The Chairman indicated that other than the cost of the envelopes, the village did not incur any costs related to this mailing. The postage was not paid by the village.*

3. Village Bank Account

The village of Rayville maintains all of its monies in a money market mutual fund account through a local stock broker. Monies are deposited directly into this account and disbursements are made by check from the account. According to the fund's prospectus, the monies maintained in this account are neither insured nor guaranteed by the U.S. government. It appears this may not be an appropriate investment account for a municipality. In addition, the city cannot deposit cash into the account, resulting in village funds being commingled in the personal accounts of certain village officials (See MAR No. 4.B.)

It appears investments of local public funds are limited to insured or collateralized banking deposits or direct investments in government securities that can be held to maturity.

WE RECOMMEND the Board of Trustees review this situation with its attorney and determine whether this account is a proper and legal investment for the village.

AUDITEE'S RESPONSE

The village board indicated it will review the appropriateness of this account. In addition, the village will open a bank account into which all receipts will initially be deposited.

4. Accounting Controls and Procedures

- A. The Board of Trustees has not appointed separate individuals to serve as Village Collector or Village Treasurer. Presently, the Village Clerk also serves as both the Village Collector and the Village Treasurer. She collects receipts (including property taxes), maintains the village's financial records, makes bank deposits, co-signs checks, reconciles the bank account, handles trash billings and collections, and serves as secretary to the board.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. The statutes pertaining to villages are similar to those cited in this opinion, therefore, the opinion's conclusion appears applicable to villages also.

Holding all three of these offices does not allow the segregation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

- B. The Chairman of the Board of Trustees and the Village Clerk currently both collect receipts for the village. The Chairman records his collections on a log and subsequently turns these monies over to the Village Clerk for deposit. It does not appear proper for the Chairman or any other member of the village board to be handling receipts (unless they have been authorized to serve as Village Treasurer). To maintain proper control over receipts, all monies should be received by an individual(s) authorized and bonded to handle village funds (i.e., the Village Clerk or an appointed Treasurer or Collector).

In addition, the financial entity which handles the city account will not accept cash deposits. As a result, any cash received by the Chairman or the Village Clerk is initially deposited into their personal bank accounts and a check is then written from their personal accounts to the village. Commingling village monies with personal funds is a poor practice and should be discontinued immediately.

- C. All monies collected are not recorded when received. The village's primary receipts record is a check register maintained by the Village Clerk to which receipts are recorded when they are deposited.

To help ensure collections are properly recorded and deposited, all monies should be recorded on prenumbered receipt slips or a receipts ledger when received. The receipt records should indicate whether cash, checks, or money orders are received, and the composition should be reconciled to the bank deposits on a periodic basis.

- D. Deposits are not made on a timely basis. During the year ended December 31, 1998, deposits were generally made only twice a month, with deposits averaging over \$800.

To adequately safeguard cash receipts and reduce the risk of loss or misuse of funds, deposits should be made on a daily basis or when accumulated receipts exceed \$100.

- E. Checks and money orders received are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Board of Trustees:

- A. Consider appointing separate individuals to the positions of Village Clerk, Village Collector, and Village Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established.
- B. Ensure village monies are received only by village officials authorized and bonded to handle village funds. In addition, all city receipts should be deposited directly into city accounts and the practice of commingling village monies with personal funds should be discontinued immediately.
- C. Ensure all monies received are recorded on prenumbered receipt slips or a properly maintained receipts ledger when the monies are received. In addition, the composition of receipts should be reconciled to deposits on a periodic basis.
- D. Ensure deposits are made on a daily basis or when accumulated receipts exceed \$100.
- E. Ensure checks and money orders are restrictively endorsed immediately upon receipt.

AUDITEE'S RESPONSE

- A. *The village board indicated that someone will perform an independent review of the records on a periodic basis. This review will be documented.*

B-E. The village board concurs.

5.	Fire Fund
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In April 1996, city voters renewed a \$.25 property tax levy for an additional three years for the purpose of providing revenue for fire protection. It appears this special purpose tax has been levied by the village for a number of years. The monies generated by this levy have been used by the village to contract with a local fire district to provide fire protection services.

During 1998, the fire levy generated approximately \$1,130 in property tax revenues, and in that year the city disbursed \$675 pursuant to the contract with the fire district. It appears

property tax revenues have exceeded the amount disbursed to the fire district for a number of years, resulting in a fund balance of \$4,313 at the end of 1997. In January 1998, the village transferred approximately \$3,300 of this balance to the Trash Fund to help eliminate the negative balance which existed in that fund. This transfer did not appear proper since these tax revenues were restricted for fire protection purposes.

The property tax revenues related to the fire levy should be used only for fire protection purposes. If expenditures for fire protection services remain at the current level, the board should consider reducing the fire tax levy accordingly.

WE RECOMMEND the Board of Trustees ensure any restricted revenues (including those of the Fire Fund) are used only for the purposes intended. In addition, in the future the board should set the fire tax levy at a level sufficient to meet the related expenditures without being excessive.

AUDITEE'S RESPONSE

The village board concurs. In addition, the board indicated that it intends to lower the property tax levy for fire protection purposes which will be on the April 1999 ballot.

6. Budgets, Financial Reporting, and Minutes

- A. The village does not prepare and adopt annual budgets. Section 67.010, RSMo 1994, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of the village operations and provide a means to effectively monitor actual costs and revenues. It will also assist in setting tax levies and informing the public about village operations and current finances.

- B. Semiannual financial statements are not published or posted as required by law. Section 80.210, RSMo 1994, provides that the board of trustees is to prepare a correct statement of all monies received and expended on behalf of the village for the preceding six months and publish the financial statement in a local newspaper or post the statement in six public places within the village.

- C. The annual financial reports submitted by the village to the State Auditor's office as required by Section 105.145, RSMo 1994, do not accurately reflect the balances and financial activity of the various funds. During our review of the annual report for the year ended December 31, 1997, we noted that the financial activity and balances reported for the various funds did not agree with the village accounting records or the monthly financial reports prepared for the village board. The annual report for 1998 had not been prepared at the time of our review.

The board should ensure the annual financial reports required pursuant to Section 105.145, RSMo 1994, accurately reflect the financial activity and balances of the various funds of the village.

- D. Board minutes are prepared by the Village Clerk; however, they are not signed by either the Clerk or the Chairman. The board minutes should be signed by the Village Clerk and Chairman upon approval to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.

WE RECOMMEND the Board of Trustees:

- A. Prepare and adopt annual budgets as required by state law.
- B. Ensure semiannual financial statements are published or posted in accordance with state law.
- C. Ensure the annual financial reports prepared and submitted to the State Auditor's office pursuant to Section 105.145, RSMo 1994, accurately reflect the financial activity and balances of the various funds of the village.
- D. Ensure all board minutes are properly signed to attest to the accuracy.

AUDITEE'S RESPONSE

A,B,
&D. *The village board concurs.*

C. *The village board concurs and indicated an accurate report has been prepared and submitted for 1998.*

7. Property Tax Procedures

- A. The Board of Trustees has not held public hearings on the village's proposed property tax levies for at least the past several years. Section 67.110, RSMo 1994, requires each governing body to hold at least one public hearing prior to approval of the proposed tax rates at which citizens may be heard. This section also provides guidance on what information is to be included at the public hearing.
- B. The Board of Trustees has not prepared an ordinance establishing the approved tax levies for each year as required by Section 80.460, RSMo 1994.

- C. The village does not prepare a delinquent tax list and turn it over to the County Collector as required by statute. Section 80.480, RSMo 1994, requires the Board of Trustees to annually turn over to the County Collector a delinquent tax list and certified copies of all tax bills included in the delinquent list. The County Collector is then responsible for collecting the amounts due, including any interest and penalty charges. At December 31, 1998, delinquent property taxes owed the village totaled over \$3,100 for tax years 1997 and 1998.

Attorney General's Opinion No. 31, 1950 to Frank, concluded that the delinquent taxes of a village should be in the hands of the county collector by the first Monday in March of each year.

To ensure compliance with state law and to help ensure efficient collection of delinquent taxes, the village should annually prepare lists of delinquent taxes and turn them over to the County Collector for collection.

WE RECOMMEND the Board of Trustees:

- A. Hold a public hearing on proposed property tax rates as required by state law.
- B. Establish the annual property tax levies by ordinance as required by state law.
- C. Ensure a delinquent property tax list is turned over to the County Collector annually as required by statute.

AUDITEE'S RESPONSE

A&B. The village board concurs.

C. The village board will take this recommendation under advisement.

8. Street Maintenance Plan

An annual maintenance plan for village streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the village residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively

monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Trustees prepare a formal maintenance plan for village streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

The village board concurs.

This report is intended for the information of the village's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

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